

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad has not perused this Circular prior to its issuance and takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



XIN HWA HOLDINGS BERHAD

(Company No.1032102-P)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PROPOSED BONUS ISSUE OF 36,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN XIN HWA HOLDINGS BERHAD ("XHH SHARE(S)") ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP, ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) EXISTING XHH SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



PUBLIC INVESTMENT BANK BERHAD (20027-W)

A Participating Organisation Of Bursa Malaysia Securities Berhad
(Wholly-owned Subsidiary Of Public Bank Berhad)

The Notice of the Extraordinary General Meeting ("EGM") at the venue and time stated below or any adjournment thereof together with the Form of Proxy are enclosed in this Circular.

If you decide to appoint a proxy or proxies for the EGM, you must complete and lodge the Form of Proxy for the EGM at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not later than the time and date indicated below or at any adjournment thereof. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

Last date and time for lodging the Form of Proxy for the EGM	: Wednesday, 14 December 2016 at 11.00 a.m.
Date and time of the EGM	: Friday, 16 December 2016 at 11.00 a.m., or at any adjournment thereof
Venue of the EGM	: D' Paragon 3, Level 1, Grand Paragon Hotel Johor Bahru, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim

This Circular is dated 30 November 2016

DEFINITIONS

For the purpose of this Circular and the accompanying appendices, except where the context otherwise requires, the following words and abbreviations shall apply throughout this Circular and shall have the following meanings:

Act	:	Companies Act, 1965, as amended from time to time including any re-enactment thereof
Announcement for Proposed Bonus Issue	:	The announcement of the Proposed Bonus Issue dated 18 November 2016 made by PIVB on behalf of the Board
Board	:	Board of Directors of XHH
Bonus Share(s)	:	36,000,000 new XHH Shares to be issued pursuant to the Proposed Bonus Issue
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (<i>165570-W</i>)
Bursa Securities	:	Bursa Malaysia Securities Berhad (<i>635998-W</i>)
CDS	:	Central Depository System
Circular	:	This circular dated 30 November 2016 to the shareholders of XHH in relation to the Proposed Bonus Issue
Director(s)	:	Director(s) of XHH and shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007
EGM	:	Extraordinary General Meeting of XHH
Entitlement Date	:	A date to be determined and announced later by the Board, on which the names of the shareholders of XHH must appear in the Record of Depositors as at 5.00 p.m. on that date in order to be entitled for the Proposed Bonus Issue
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case may be
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	:	15 November 2016, being the latest practicable date prior to the issuance of this Circular
Main Market	:	Main Market of Bursa Securities
Major Shareholder(s)	:	Any person who has an interest or interests in one (1) or more voting shares in the Company and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is: (i) ten percent (10%) or more of the aggregate of the nominal amounts of all the voting shares in the Company; or (ii) five percent (5%) or more of the aggregate of the nominal amounts of all the voting shares in the Company where such person is the largest shareholder of the Company

For the purpose of this definition, “interest in shares” shall have the meaning given in Section 6A of the Act

DEFINITIONS (*Cont'd*)

Market Day(s)	:	Any day(s) between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
NA	:	Net assets
PIVB or Adviser	:	Public Investment Bank Berhad (<i>20027-W</i>)
Proposed Bonus Issue	:	Proposed bonus issue of 36,000,000 Bonus Shares on the basis of one (1) Bonus Share for every five (5) existing XHH Shares held on the Entitlement Date
Record of Depositors	:	A record of depositors provided by Bursa Depository to the Company under Chapter 24.0 of the Rules of Bursa Depository, as amended from time to time
RM and sen	:	Ringgit Malaysia and sen, respectively
SPEEDS	:	Subdivision of shares, share consolidation and bonus issue exercise in CDS
Substantial Shareholder(s)	:	Substantial shareholder(s) of XHH and shall have the meaning given in Section 69D of the Act
XHH or Company	:	Xin Hwa Holdings Berhad (<i>1032102-P</i>)
XHH Group or Group	:	XHH and its subsidiary companies, collectively
XHH Share(s) or Share(s)	:	Ordinary share(s) of RM0.50 each in XHH

All references to “you” in this Circular are to the shareholders of XHH.

Words denoting the singular shall, where applicable, include the plural and *vice versa*. Words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and *vice versa*. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any legislation is a reference to that legislation as for the time being amended or re-enacted. Any reference to a time of a day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

Any discrepancy in the tables between the amounts listed and the totals in this Circular are due to rounding.

CONTENTS

	PAGE
LETTER TO THE SHAREHOLDERS OF XHH IN RELATION TO THE PROPOSED BONUS ISSUE CONTAINING:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED BONUS ISSUE	2
3. RATIONALE FOR THE PROPOSED BONUS ISSUE	3
4. EFFECTS OF THE PROPOSED BONUS ISSUE	4
5. HISTORICAL SHARE PRICES	5
6. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	5
7. APPROVALS REQUIRED FOR THE PROPOSED BONUS ISSUE	6
8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM	6
9. ESTIMATED TIME FRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION	6
10. DIRECTORS' RECOMMENDATION	7
11. EGM	7
12. FURTHER INFORMATION	7
APPENDICES	
I FURTHER INFORMATION	8
II REPORTING ACCOUNTANTS' CONFIRMATION LETTER ON THE ADEQUACY OF THE COMPANY'S RESERVES IN RELATION TO THE PROPOSED BONUS ISSUE	10
NOTICE OF EGM	Enclosed
FORM OF PROXY	Enclosed



XIN HWA HOLDINGS BERHAD

(Company No.1032102-P)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office:

802, 8th Floor
Block C, Kelana Square
17 Jalan SS7/26
47301 Petaling Jaya
Selangor Darul Ehsan

30 November 2016

Board of Directors:

Datuk Seri Dr. Suleiman Bin Mohamed (*Independent Non-Executive Chairman*)
Ng Aik Chuan (*Managing Director*)
Ng Yam Pin (*Executive Director*)
Jory Leong Kam Weng (*Independent Non-Executive Director*)
Datin Rahmah Binti Mahmood (*Independent Non-Executive Director*)
Liew Chek Leong (*Independent Non-Executive Director*)

To: Shareholders of XHH

Dear Sir/Madam,

PROPOSED BONUS ISSUE

1. INTRODUCTION

On 18 November 2016, PIVB on behalf of the Board, announced that the Company is proposing to undertake the Proposed Bonus Issue which entails the issuance of 36,000,000 Bonus Shares to be credited as fully paid-up, on the basis of one (1) Bonus Share for every five (5) existing XHH Shares held by the entitled shareholders of the Company on the Entitlement Date.

Bursa Securities had vide its letter dated 23 November 2016, approved the listing of and quotation for the Bonus Shares on the Main Market.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSED BONUS ISSUE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED BONUS ISSUE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED IN THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR, TOGETHER WITH THE APPENDICES CONTAINED HEREIN, BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED BONUS ISSUE AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED BONUS ISSUE

2.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue will entail the issuance of 36,000,000 Bonus Shares to be credited as fully paid-up, on the basis of one (1) Bonus Share for every five (5) existing XHH Shares held by the shareholders of XHH whose names appear in the Record of Depositors at the close of business on the Entitlement Date.

As at the LPD, the issued and paid-up share capital of the Company is RM90,000,000 comprising 180,000,000 XHH Shares.

Fractional entitlements arising from the Proposed Bonus Issue, if any, shall be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit and in the best interest of the Company.

The Entitlement Date will be determined and announced at a later date upon receipt of all relevant approvals for the Proposed Bonus Issue. The Proposed Bonus Issue will not be implemented on a staggered basis.

2.2 Capitalisation of reserves

The Proposed Bonus Issue will be implemented by way of capitalisation of RM6,451,571 from the Company's share premium account and the remaining RM11,548,429 from the Company's retained profits account.

Based on the latest audited financial statements for the FYE 31 December 2015 and the latest unaudited financial statements for the nine (9)-month FPE 30 September 2016 of XHH, the illustrative effects of the Proposed Bonus Issue on the share premium and retained profits accounts of XHH are as follows:

Company level	Share premium RM	(Accumulated losses)/ Retained profits RM
Audited as at 31 December 2015	6,451,571	(512,286)
<i>Add:</i>		
Interim dividend received*	-	15,000,000
	-	14,487,714
<i>Less:</i>		
Amount to be capitalised for the Proposed Bonus Issue	(6,451,571)	(11,548,429)
Estimated expenses for the Proposed Bonus Issue	-	(90,000)
Balance after the Proposed Bonus Issue	-	2,849,285

Company level	Share premium RM	(Accumulated losses)/ Retained profits RM
Unaudited as at 30 September 2016	6,451,571	(3,265,507)
<i>Add:</i>		
Interim dividend received*	-	15,000,000
	-	11,734,493
<i>Less:</i>		
Amount to be capitalised for the Proposed Bonus Issue	(6,451,571)	(11,548,429)
Estimated expenses for the Proposed Bonus Issue	-	(90,000)
Balance after the Proposed Bonus Issue	-	96,064

Note:

* *Being interim dividend declared by XHH's wholly owned subsidiary, Xin Hwa Trading & Transport Sdn Bhd in respect of the FYE 31 March 2017 on 4 November 2016 and paid on 25 November 2016.*

The Board confirms that based on the latest audited financial statements for the FYE 31 December 2015 and the latest unaudited financial statements for the nine (9)-month FPE 30 September 2016 of XHH, the available reserves of the Company are adequate for the capitalisation under the Proposed Bonus Issue and the reserves required for capitalisation of the Proposed Bonus Issue are unimpaired by losses on a consolidated basis in accordance with Paragraph 6.30(1) of the Listing Requirements.

Messrs. Crowe Horwath, the reporting accountants for the Proposed Bonus Issue, has confirmed vide its letter dated 21 November 2016 as enclosed in **Appendix II** of this Circular, that based on the financial information extracted from the latest audited financial statements for the FYE 31 December 2015 as well as the latest unaudited financial statements for the nine (9)-month FPE 30 September 2016, the Company has sufficient reserves for the purposes of capitalising 36,000,000 Bonus Shares under the Proposed Bonus Issue in accordance with Paragraph 6.30(3) of the Listing Requirements.

2.3 Ranking of the Bonus Shares

The Bonus Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing XHH Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of the Bonus Shares.

2.4 Listing of and quotation for the Bonus Shares

Bursa Securities had vide its letter dated 23 November 2016 approved the listing of and quotation for the Bonus Shares on the Main Market.

The notice of allotment for the Bonus Shares will be issued and despatched to the entitled shareholders no later than four (4) Market Days after the date of listing of and quotation for the Bonus Shares.

As XHH Shares are prescribed securities under Section 14(5) of the Security Industry (Central Depositories) Act, 1991, the Bonus Shares will be credited directly into the respective CDS accounts of the entitled shareholders and no physical share certificate will be issued.

The Proposed Bonus Issue will be undertaken via Bursa Securities' SPEEDS and the Bonus Shares shall be listed and quoted on the Main Market on the next Market Day after the Entitlement Date.

3. RATIONALE FOR THE PROPOSED BONUS ISSUE

The Proposed Bonus Issue aims to:

- (i) reward the Company's shareholders for their loyalty and continuous support by enabling them to have greater participation in the equity of XHH in terms of the number of XHH Shares held while maintaining their percentage of equity interest in XHH; and
- (ii) increase XHH's capital base to a level which would be more reflective of the current scale of operations and assets employed by the XHH Group.

4. EFFECTS OF THE PROPOSED BONUS ISSUE

4.1 Issued and paid-up share capital

The pro forma effects of the Proposed Bonus Issue on the issued and paid-up share capital of the Company are as follows:

	Par value RM	No. of XHH Shares	RM
Issued and paid-up share capital as at the LPD	0.50	180,000,000	90,000,000
To be issued pursuant to the Proposed Bonus Issue	0.50	36,000,000	18,000,000
Enlarged issued and paid-up share capital	0.50	216,000,000	108,000,000

4.2 NA and gearing

Based on the latest audited consolidated statement of financial position of XHH as at 31 December 2015, the pro forma effects of the Proposed Bonus Issue on the NA and gearing of the XHH Group are as follows:

Group level	Audited 31 December 2015 RM	After the Proposed Bonus Issue RM
Share capital	90,000,000	108,000,000
Share premium	6,451,571	- [^]
Merger deficit	(68,978,997)	(68,978,997)
Revaluation reserve	18,138,876	18,138,876
Retained profits	81,925,261	70,286,832 [^]
Equity attributable to owners of the Company/NA	127,536,711	127,446,711
Number of XHH Shares in issue	180,000,000	216,000,000
NA per XHH Share (RM)	0.71	0.59
Total borrowings	39,176,113	39,176,113
Gearing (times)*	0.31	0.31

Notes:

[^] After capitalisation of RM18,000,000 from the share premium and retained profits accounts pursuant to the Proposed Bonus Issue and deducting the estimated expenses of RM90,000 to be incurred in relation to the Proposed Bonus Issue.

* Gearing is calculated based on the total borrowings divided by the NA of XHH as at 31 December 2015.

4.3 Earnings and EPS

The Proposed Bonus Issue is not expected to have any material effect on the earnings of the XHH Group for the FYE 31 March 2017. However, there will be a corresponding dilution in the EPS of the XHH Group as a result of the increase in the number of XHH Shares in issue pursuant to the Proposed Bonus Issue.

4.4 Substantial Shareholders' shareholdings

The Proposed Bonus Issue will not have any effect on the percentage shareholdings of the Substantial Shareholders as the Bonus Shares will be allotted on a pro-rata basis to all entitled shareholders of XHH. However, the number of XHH Shares held by the Substantial Shareholders will increase proportionately pursuant to the Proposed Bonus Issue.

4.5 Convertible securities

As at the LPD, the Company does not have any convertible securities.

5. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of the XHH Shares traded on Bursa Securities for the past twelve (12) months from November 2015 to October 2016 are as follows:

	Highest (RM)	Lowest (RM)
<u>2015</u>		
November	1.32	1.19
December	1.21	0.93
<u>2016</u>		
January	1.14	0.98
February	1.11	0.99
March	1.13	0.98
April	1.06	1.00
May	1.05	1.00
June	1.07	0.98
July	1.02	0.98
August	1.10	0.98
September	1.20	1.04
October	1.30	1.15

The last transacted price of the XHH Shares on 17 November 2016, being the closing market price prior to the Announcement for Proposed Bonus Issue	RM1.25
--	--------

The last transacted price of the XHH Shares as at the LPD	RM1.26
---	--------

(Source: Bloomberg)

6. OTHER CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Bonus Issue, there are no other outstanding corporate exercises which has been announced by the Company but pending completion as at the date of this Circular.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--

7. APPROVALS REQUIRED FOR THE PROPOSED BONUS ISSUE

The Proposed Bonus Issue is subject to approvals being obtained from the following:

- (i) Bursa Securities for the listing of and quotation for the Bonus Shares on the Main Market, which was obtained on 23 November 2016, subject to the following conditions:

	<u>Conditions</u>	<u>Status of compliance</u>
(a)	XHH and PIVB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue;	Noted
(b)	XHH and PIVB to inform Bursa Securities upon the completion of the Proposed Bonus Issue;	To be complied
(c)	XHH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed; and	To be complied
(d)	XHH and PIVB are required to make the relevant announcements pursuant to Paragraphs 6.35(2)(a) and (b) and 6.35(4) of the Listing Requirements.	To be complied

- (ii) the shareholders of XHH at the forthcoming EGM to be convened on 16 December 2016; and
- (iii) any other relevant authorities and/or parties, if required.

The Proposed Bonus Issue is not conditional upon any other corporate exercises undertaken or to be undertaken by XHH.

8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, Major Shareholders and/or persons connected to them has any interest, either direct or indirect, in the Proposed Bonus Issue apart from their respective entitlements under the Proposed Bonus Issue as shareholders of XHH, which are also available to all other shareholders of XHH.

9. ESTIMATED TIME FRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances, the Proposed Bonus Issue is expected to be completed by the first (1st) quarter of year 2017. The tentative timetable in relation to the implementation of the Proposed Bonus Issue is as follows:

Tentative timeline	Events
16 December 2016	▪ EGM
End December 2016	▪ Announcement of Entitlement Date
Mid January 2017	▪ Entitlement Date ▪ Listing of and quotation for the Bonus Shares ▪ Completion of the Proposed Bonus Issue

10. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposed Bonus Issue, including the rationale and effects as set out in Sections 3 and 4 of this Circular respectively, is of the opinion that the Proposed Bonus Issue is in the best interest of the Company.

Accordingly, the Board recommends that you **vote in favour** of the ordinary resolution pertaining to the Proposed Bonus Issue to be tabled at the forthcoming EGM.

11. EGM

The forthcoming EGM, the notice of which is enclosed in this Circular, will be held at the D' Paragon 3, Level 1, Grand Paragon Hotel Johor Bahru, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on Friday, 16 December 2016 at 11.00 a.m., or at any adjournment for the purpose of considering and, if thought fit, passing the resolution pertaining to the Proposed Bonus Issue.

If you are unable to attend and vote in person at the forthcoming EGM, you may complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for the forthcoming EGM.

12. FURTHER INFORMATION

Please refer to the enclosed appendices for further information.

Yours faithfully
For and on behalf of the Board of
XIN HWA HOLDINGS BERHAD

Datuk Seri Dr. Suleiman Bin Mohamed
Independent Non-Executive Chairman

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. The Board confirms that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

2. CONSENT

PIVB, acting as the Adviser for the Proposed Bonus Issue, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs. Crowe Horwath, acting as the reporting accountants for the Proposed Bonus Issue, has given and has not subsequently withdrawn its written consent to the inclusion of its name and their confirmation letter on the adequacy of the Company's reserves in relation to the Proposed Bonus Issue and all references thereto in the form and context in which they appear in this Circular.

3. CONFLICT OF INTEREST

PIVB has confirmed that there is no conflict of interest exists or is likely to exist in relation to its role in respect of the Proposed Bonus Issue.

Messrs. Crowe Horwath has confirmed that there is no conflict of interest exists or is likely to exist in relation to its role in respect of the Proposed Bonus Issue.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments contracted or known to be contracted, which may have a substantial impact on the profits or net asset value of the Group.

5. MATERIAL CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any material contingent liabilities, which upon becoming enforceable may have a substantial impact on the financial position of the Group.

RM'000Unsecured

Corporate guarantee given to licensed bank for credit facilities
granted to subsidiary

42,755

6. MATERIAL LITIGATION

As at the LPD, XHH and/or its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Directors have no knowledge of any proceedings pending or threatened against the Company and/or its subsidiaries or of any fact likely to give rise to any proceedings which might materially affect the financial position or business of the Company and/or its subsidiaries.

FURTHER INFORMATION (*Cont'd*)

7. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of XHH from Mondays to Fridays (excluding public holidays) during normal business hours for a period commencing from the date of this Circular up to and including the date of the forthcoming EGM:

- (i) the Memorandum and Articles of Association of XHH;
- (ii) the audited financial statements of the XHH Group for the past two (2) FYE 31 December 2014 and 31 December 2015;
- (iii) the latest unaudited quarterly results of XHH for the FPE 30 September 2016;
- (iv) the confirmation letter from Messrs. Crowe Horwath dated 21 November 2016 on the adequacy of the Company's reserves in relation to the Proposed Bonus Issue as set out in the Appendix II; and
- (v) the letters of consent as referred to in Section 2 above.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK
--

**REPORTING ACCOUNTANTS' CONFIRMATION LETTER ON THE ADEQUACY OF THE
COMPANY'S RESERVES IN RELATION TO THE PROPOSED BONUS ISSUE**



21 November 2016

The Board of Directors
Xin Hwa Holdings Berhad
 No. 2, Jalan Permatang 2
 Kempas Baru
 81200 Johor Bahru
 Johor Darul Takzim

Crowe Horwath AF 1018
 Chartered Accountants
 Member Crowe Horwath International

Johor Bahru Office
 E-2-3 Pusat Komersial Bayu Tasek
 Persiaran Southkey 1
 Kota Southkey
 80150 Johor Bahru, Johor, Malaysia
 Main +6 07 2886 627
 Fax +6 1700 813 460
www.crowehorwath.com.my
info.jb@crowehorwath.com.my

Dear Sirs

XIN HWA HOLDINGS BERHAD (the "Company")
REPORT ON PRO FORMA STATEMENT OF RESERVES AS AT 31 DECEMBER 2015 AND
30 SEPTEMBER 2016

We have been engaged to perform a reasonable assurance engagement on accompanying pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016, be included in the Circular to Shareholders as set out in Annexure I, which has been stamped by us for identification purposes.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

The Company is proposing to undertake a bonus issue of 36,000,000 new ordinary shares of RM0.50 each on the basis of one (1) Bonus Share for every five (5) existing ordinary shares of the Company held to be credited as fully paid-up share capital by capitalising from the Company's share premium and retained profits accounts (the "Proposed Bonus Issue").

The Board of Directors of the Company are responsible for the preparation of the pro forma statement of reserves as at 31 December 2015 and 30 September 2016 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the "Listing Requirements") and to ensure that the share premium and retained profits accounts of the Company as at 31 December 2015 and 30 September 2016 are properly stated and are adequate to cover the capitalisation of the Proposed Bonus Issue.

The pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016 have been prepared to illustrate the effects of the Proposed Bonus Issue on the reserves of the Company had the Proposed Bonus Issue been effected on 31 December 2015 and 30 September 2016 respectively.

OUR RESPONSIBILITIES

We conducted our engagement in accordance with the **International Standard on Assurance Engagement (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information**, issued and adopted by the Malaysian Institute of Accountants. Our responsibility is to express a reasonable assurance conclusion on the pro forma statement of reserves as at 31 December 2015 and 30 September 2016 based on the procedures we have performed and the evidence we have obtained as to whether the available reserves for capitalisation are adequate to cover the entire Proposed Bonus Issue, pursuant to paragraph 6.30(3) of the Listing Requirements.

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bharu • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

REPORTING ACCOUNTANTS' CONFIRMATION LETTER ON THE ADEQUACY OF THE COMPANY'S RESERVES IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

**OUR RESPONSIBILITIES (CONT'D)**

We have not audited any financial statements of the Company as of any or for any period subsequent to 31 December 2015. The purpose (and therefore the scope) of our audit for the financial year ended 31 December 2015 was to enable us to express our opinion on the financial statements of the Company as of 31 December 2015, and for the year then ended, but not on the financial for any interim period after that year. Therefore, we are unable to and do not express any audit opinion on the financial statements at any date or for any period subsequent to 31 December 2015.

Our audits of the financial statements for the year referred to above comprised audit test and procedures necessary for the purposes of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated below and accordingly, we do not express an opinion thereon.

SUMMARY OF WORK PERFORMED

We have performed the following procedures on the pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016:

- a) Read the pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016;
- b) Inquired of certain officers of the Company, who have responsibility for the financial and accounting matters about:
 - (i) the basis for their determination of the pro forma adjustments;
 - (ii) whether the pro forma statement of reserves of the Company referred to in Annexure I, have been properly compiled on the bases stated; and
 - (iii) whether, within the context of the assumed date of the Proposed Bonus Issue:
 - such bases are consistent with the accounting policies of the Company as disclosed in the audited financial statements for the year ended 31 December 2015; and
 - the adjustments set out are appropriate for the purpose of the pro forma statement of reserves of the Company.
- c) Proved the mathematical accuracy of the application of the pro forma adjustments to the historical amounts as at 31 December 2015 and the unaudited interim financial information for the nine (9) months ended 30 September 2016; and
- d) Considered the sufficiency of reserves of the Company as at 31 December 2015 and 30 September 2016 for the purpose of capitalisation of the Proposed Bonus Issue.

The foregoing procedures do not constitute an audit conducted in accordance with Malaysian Approved Standards on Auditing. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraphs. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

REPORTING ACCOUNTANTS' CONFIRMATION LETTER ON THE ADEQUACY OF THE COMPANY'S RESERVES IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

**CONCLUSION**

In our opinion:

- a) the pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016 have been properly compiled on the bases set out in the accompanying notes;
- b) Within the context of the assumed date of the Proposed Bonus Issue:
 - (i) such bases are consistent with the accounting policies of the Company as disclosed in the audited financial statements for the year ended 31 December 2015; and
 - (ii) the adjustments set out are appropriate for the purposes of the pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016;
- c) the reserves of the Company as indicated in the pro forma statement of reserves of the Company as at 31 December 2015 and 30 September 2016 are sufficient for the purpose of capitalisation of the Proposed Bonus Issue.

RESTRICTION ON DISTRIBUTION AND USE

This letter has been prepared solely for the purpose stated above, in connection with the Proposed Bonus Issue. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

A stylized signature of the word "Crowe" in a cursive script, followed by a long horizontal line.

Crowe Horwath
AF 1018
Chartered Accountants

A stylized signature of "Tan Lin Chun" in a cursive script, followed by a long horizontal line.

Tan Lin Chun
Approval No.: 2839/10/17(J)
Chartered Accountant

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibul • Bintulu • Miri • Kota Kinabalu • Labuan

REPORTING ACCOUNTANTS' CONFIRMATION LETTER ON THE ADEQUACY OF THE COMPANY'S RESERVES IN RELATION TO THE PROPOSED BONUS ISSUE (Cont'd)

Annexure I

XIN HWA HOLDINGS BERHAD

PRO FORMA STATEMENT OF RESERVES

The amount to be capitalised from the share premium and retained profits accounts, including the balances after the capitalisation based on the latest audited financial statements for the FYE 31 December 2015 and the latest unaudited financial statements for the nine (9)-month FPE 30 September 2016 of XHH are set out in the table below:

Company level	Share premium RM	(Accumulated losses)/ Retained profits RM
Audited as at 31 December 2015	6,451,571	(512,286)
<i>Add:</i>		
Interim dividend receivable*	-	15,000,000
	-	14,487,714
<i>Less:</i>		
Amount to be capitalised for the Proposed Bonus Issue	(6,451,571)	(11,548,429)
Estimated expenses for the Proposed Bonus Issue	-	(90,000)
Balance after the Proposed Bonus Issue	-	2,849,285

Company level	Share premium RM	(Accumulated losses)/ Retained profits RM
Unaudited as at 30 September 2016	6,451,571	(3,265,507)
<i>Add:</i>		
Interim dividend receivable*	-	15,000,000
	-	11,734,493
<i>Less:</i>		
Amount to be capitalised for the Proposed Bonus Issue	(6,451,571)	(11,548,429)
Estimated expenses for the Proposed Bonus Issue	-	(90,000)
Balance after the Proposed Bonus Issue	-	96,064

Note:

* Being interim dividend declared by XHH's wholly-owned subsidiary, Xin Hwa Trading & Transport Sdn Bhd in respect of the FYE 31 March 2017 on 4 November 2016.





XIN HWA HOLDINGS BERHAD

(Company No.1032102-P)
(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Xin Hwa Holdings Berhad (“XHH” or “the Company”) will be held at the D’ Paragon 3, Level 1, Grand Paragon Hotel Johor Bahru, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on Friday, 16 December 2016 at 11.00 a.m., or at any adjournment for the purpose of considering and, if thought fit, passing the following Ordinary Resolution, with or without modifications:

ORDINARY RESOLUTION

PROPOSED BONUS ISSUE OF 36,000,000 NEW ORDINARY SHARES OF RM0.50 EACH IN XHH (“XHH SHARE(S)”) (“BONUS SHARE(S)”) TO BE CREDITED AS FULLY PAID-UP, ON THE BASIS OF ONE (1) BONUS SHARE FOR EVERY FIVE (5) EXISTING XHH SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED BONUS ISSUE”)

“**THAT** subject to the approval of all relevant authorities being obtained, approval be and is hereby given to the Board of Directors of the Company (“**Board**”) to increase the issued and paid-up share capital of the Company by way of a bonus issue of 36,000,000 new ordinary shares of RM0.50 each in the Company (“**XHH Share(s)**”) (“**Bonus Share(s)**”) by capitalising a sum of RM18,000,000.00 from the Company’s share premium and retained profits accounts as set out in the Circular to shareholders of the Company dated 30 November 2016 and that the same be applied in making payment in full for the Bonus Shares to be issued and credited as fully paid-up to the registered shareholders whose names appear in the Company’s Record of Depositors as at the close of business on an entitlement date to be determined by the Board and announced later on the basis of one (1) Bonus Share for every five (5) existing XHH Shares held (“**Proposed Bonus Issue**”);

THAT fractional entitlements of the Bonus Shares, if any, shall be disregarded and dealt with in such manner as the Board shall in its absolute discretion deems fit and expedient, and in the best interest of the Company;

THAT such Bonus Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing issued and paid-up share capital of the Company, save and except that the Bonus Shares shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid where the entitlement date is before the allotment date of the Bonus Shares;

AND THAT the Board be and is hereby empowered and authorised to take all such steps and do all such acts, deeds and things and to execute, sign and deliver on behalf of the Company all necessary documents to give full effect to and for the purpose of completing and/or implementing the Proposed Bonus Issue with full power to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by the relevant authorities or as a consequence of any such requirement as may be deemed necessary and/or expedient in the best interests of the Company.”

By Order of the Board

SEOW FEI SAN
MOK MEE KEE
Company Secretaries

Petaling Jaya
30 November 2016

Notes:

1. *Only depositors whose names appear in the Record of Depositors as at 8 December 2016 be regarded as members and entitled to attend, speak and vote at the meeting.*
2. *A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of proxy.*
3. *The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the holding of the meeting or at any adjournment thereof.*
4. *A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting.*
5. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.*
6. *In the case of an individual, the instrument appointing a proxy must be signed by the appointer or his/her attorney duly authorised in writing. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.*
7. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
8. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*



XIN HWA HOLDINGS BERHAD

(Company No.1032102-P)

(Incorporated in Malaysia under the Companies Act, 1965)

CDS Account No.	No. of Shares Held

FORM OF PROXY

I/We.....(BLOCK LETTERS)

NRIC No./Company No. of

being (a) Member(s) of XIN HWA HOLDINGS BERHAD hereby appoint the following person(s):

Name of proxy, NRIC No.	No. of shares to be represented by proxy
1.
2.

or failing him/her,

1.
2.

or failing him/her, THE CHAIRMAN OF THE MEETING as my/our proxy to attend and to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at D' Paragon 3, Level 1, Grand Paragon Hotel Johor Bahru, 18 Jalan Harimau, Taman Century, 80250 Johor Bahru, Johor Darul Takzim on Friday, 16 December 2016 at 11.00 a.m. or at any adjournment thereof and to vote as indicated below:-

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Bonus Issue		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Signed this day of, 2016

.....
Signature/Seal of Member

Notes:

- Only depositors whose names appear in the Record of Depositors as at 8 December 2016 be regarded as members and entitled to attend, speak and vote at the meeting.
- A member entitled to attend, speak and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his/her behalf. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of proxy.
- The instrument appointing a proxy must be deposited at the office of the Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time set for the holding of the meeting or at any adjournment thereof.
- A member shall not be entitled to appoint more than two (2) proxies to attend, speak and vote at the same meeting.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- In the case of an individual, the instrument appointing a proxy must be signed by the appointer or his/her attorney duly authorised in writing. In the case of a corporate member, the instrument appointing a proxy must be executed under its common seal or under the hand of its attorney.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositors) Act, 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

1st fold here